

but of public securities and Treasury bills, there is no rok\ no means,, arid no remedy for bringing its circulation to a normal basis.

The difficulty lay in the fact that the greater the depreciation of its notes, the greater were the paper profits of the bank. From 1895 to 1899, its net profits rose from 34,230,-922 pesetas to 50,400,459 pesetas. These profits were attained in the face of low rates of discount and of interest on loans, which with the unlimited power of note issue permitted the encouragement of speculation in the same manner as prior to the war. Thus, from May 25, 1900, to March 22, 1902, the rate of discount and advances stood at three and one half per cent., while the quotations of the Exterior debt at Paris in February, 1901, were at a figure which afforded a net return of 5.54 per cent.¹

A resolute effort was made, however, to restore order to Spanish finances with the service of Señor Villaverde as Minister of Finance. He and his successors, by economies and the imposition of new taxes, succeeded in turning Treasury deficits into a surplus, from 1899 down. The sum of these surpluses for the eight years ending with 1906 attained the considerable amount of 492,830,832 pesetas (\$90,000,000). From this surplus reimbursements were made to the bank on account of advances on Treasury bills which reduced their amount at the close of 1907 to 210,037,447 pesetas (\$40,000,000).^a One of the measures taken to this end was the collection of customs dues in gold. The law of February 23, 1902, by which this requirement was put in force, sought to avoid an unwarranted increase in tariff charges by fixing a sliding scale of reduction based upon rates of foreign exchange. The benefits of the law in accumulating physical gold were impaired to some extent by a royal ordinance of April, 1903, by which, the Bank of Spain was allowed to furnish gold to importers from special gold accounts or by the sale of gold for silver and paper at the current premium.*

¹ Mitjavile, 130.

* Arthur Houghton, in *l'Économiste Français* ^ February 8, 1908, 193.

³ Focquier, in *Questions Monétaires Contemporaines* ^ 491.